

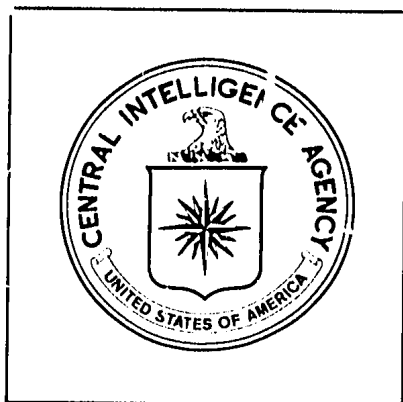
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STAFF NOTES:

## Chinese Affairs

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CHINESE AFFAIRS

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"Water Margin": A Drop in the Bucket

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As campaigns go in China, the criticism of the ancient novel "Water Margin" currently falls well short of a mass political movement. Although it began with a potentially explosive series of articles in late August, it has not yet gone beyond the study movement phase. Regular study sessions reportedly are being held to criticize the novel in some areas, but there are no signs of political activism--individuals singled out for criticism or posters attacking current leaders. Undoubtedly, there are many in the leadership who would like to see the "Water Margin" issue remain within its current confines.

There is some evidence that the criticism of the novel lacked the careful preparations usually associated with a major political campaign. China's publishing houses are trying to fill rush orders of the novel, many of which will not be off the press until late September. The Shanghai journal *Study and Criticism* clearly was taken by surprise: its August issue praised the novel, but the following issue had to turn around and criticize it.

Since the publication of the *People's Daily* editorial of September 4, which included the first public reference to Mao as the initiator of the campaign, the provinces have begun to comment on the novel. In the August articles, which harped on "amnesty" and called for opposing the emperor, amnesty could have been read as a swipe at the rehabilitated Teng Hsiao-ping, and the emperor, lacking any public reference to Mao, could have been the Chairman himself.

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focus has shifted, in accordance with Mao's instructions, to "capitulation," and the novel's leading character is linked to Lin Piao, who is castigated for selling out to the Soviet Union.

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In light of the propaganda surrounding last year's anti-Confucius campaign, which seemed to use historical analogy to criticize certain military commanders for being pro-Soviet, it is possible to read the current criticism as a continuation of that charge. Since the fall of Lin Piao, Mao has seemed concerned that some elements in the military are sympathetic to Lin's alleged pro-Soviet views. Moreover, the Chairman apparently fears that some change in China's policy toward Moscow could occur after his death. Some communist officials

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interpreted the "Water Margin" criticism in precisely that light, and several propaganda broadcasts have noted the importance of this criticism "in the present and in the future" and "in this century and the next."

, Although the Chairman may have had specific targets in mind when launching the "Water Margin" criticism, others in the leadership seem content to allow study of the novel merely as an educational exercise warning against the dangers of following Moscow's "revisionist" road.

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Teng and others in the leadership seem more interested in creating a stable political climate to encourage economic growth than in promoting potentially disruptive political campaigns. The propaganda, in fact, continues to condemn factionalism and to call for unity even as it discusses "Water Margin."

For the moment, "Water Margin" seems merely another topic for discussion. It could gather steam as more copies of the book become available within China. Given Mao's apparent distrust of some elements in the military, he probably would prefer something more than a study movement. [REDACTED]

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## Toying with Taipei

For the second time in the past six months, Peking has released a large group of imprisoned Chinese Nationalist officials in a move seemingly designed to satisfy several important foreign policy objectives.

Most important, the release last week of nearly 150 "US-Chiang special agents," captured on the mainland in the mid-1960s, is intended to characterize Peking as magnanimous and seriously interested in attempts to open contacts with the Nationalists on Taiwan. By announcing that the prisoners are free to go to Taiwan if they wish, Peking has again issued a tacit invitation for opening some sort of dialogue with Taipei. The move is also a signal to Washington --as preparations are being made for President Ford's trip to China--that Peking is being "reasonable" on the Taiwan question.

Taipei will probably reject any future requests from released "special agents" to visit Taiwan, as it did earlier this year when ten released "war criminals" asked for permission to visit relatives on the island. Despite the adverse propaganda, especially in the Hong Kong press, that resulted from the cold-shouldering of these ten, Nationalist leaders seem persuaded that any suggestion that they are prepared to deal with Peking would carry great risks.

Taipei will probably be in for even rougher press treatment this time around. The Chinese announced Monday that permission had been given to 65 of the released agents to return to Taiwan. This much larger group includes relatively younger men and they presumably have many relatives living on Taiwan.

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in a major speech on the day after the "special agents" were released, Premier Chiang pointedly reiterated Taipei's firm opposition to any dialogue with either Peking or Moscow.

Included in the batch of prisoners released last week were two Japanese who had participated in Nationalist operations against the mainland. Their inclusion, coming at a time when Sino-Japanese negotiations for a peace treaty are deadlocked, was almost certainly intended in part as a friendly gesture to Tokyo. The move, however, is not likely to have a significant impact on the negotiations.

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## A Show of Unity

Leadership appearances over the past few weeks, amid speculation that China's leaders are once again engaged in behind-the-scenes fighting, seemed designed to present at least a facade of unity.

The most surprising, and perhaps most calculated, display occurred at an agricultural conference in Shansi Province on September 15. Heading the turnout was senior Vice Premier Teng Hsiao-ping. His unlikely companions included Chiang Ching and Yao Wen-yuan, neither of whom have any known agricultural duties. Teng and Vice Premier Chen Yung-kuei spoke at the conference, and their speeches reportedly received enthusiastic applause. Chiang Ching, on the other hand, made her first quasi-public speech since the Cultural Revolution. It was described as "important," but was not disseminated in the propaganda and was not described as being greeted with applause.

In an apparent bid for publicity, Chiang Ching eschewed the makeup so noticeable during the banquet for Sihanouk in early September in exchange for a rag over her head and a shovel in her hands. She was photographed digging an irrigation ditch, along with Chen Yung-kuei. Another photograph apparently taken at the conference and appearing in *People's Daily* was that of Teng Hsiao-ping flanked by Chiang Ching and Yao Wen-yuan--an obvious display of unity between the perpetrators of the Cultural Revolution and one of its most prominent victims. The conference was presided over by Vice Premier Hua Kuo-feng, thus confirming that he continues to hold important agricultural responsibilities.

Yao Wen-yuan continued his high public profile with a number of appearances, including escort duties

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for visiting North Vietnamese party chief Le Duan. Yao did not take part in the substantive talks with him, however. Also given unusual prominence of late is the shadowy Wang Tung-hsing, who logged in at least five appearances in September. Previously, Wang rarely appeared in public and then only on major occasions.

Some leaders who were missing from public view earlier returned to the spotlight, and others were accounted for. Party vice chairman Wang Hung-wen reportedly returned to troubled Chekiang Province in early September. Teng Hsiao-ping's wife, Cho Lin, appeared at the mid-September agricultural conference, and Defense Minister Yeh Chien-ying was on hand for the Le Duan visit. Television shots showed the 77-year-old defense minister being assisted into the banquet hall, however, confirming long-standing rumors that his health is declining.

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## Chekiang: Pilgrim's Progress

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Peking's movement of troops into Hangchou appears to have stabilized the situation there, and production is said to be increasing, but armed clashes have been reported recently in another city in the troubled province, and it is evident that no long term solution has been achieved. Deep factional divisions remain throughout Chekiang and the authority of the party first secretary, an outsider who headed another province prior to the Cultural Revolution, is still being called into question.

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[redacted] Hangchou is relatively calm. A number of factional leaders have reportedly been arrested, but one faction is said to have criticized first secretary Tan Chi-lung for not being harsh enough on the incarcerated leader of the rival faction. This prompted party vice chairman Wang Hung-wen, who remains deeply involved in efforts to restore order, to reiterate Peking's support for Tan and to criticize both factions.

Chekiang and Peking radiobroadcasts have made repeated claims that production in the province is rising. A September 5 Chekiang broadcast, for example, listed 32 enterprises that had fulfilled August production quotas. Nevertheless, [redacted]

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to near zero in many areas because of the recurring factional struggles.

The armed fighting in Chekiang reportedly occurred in Wenchou earlier this month. Since the militia is involved in the factionalism and was abolished in several cities, the only sure method for preventing continuing outbreaks of violence outside of Hangchou would seem to be the use of troops, but that is impractical for the whole of Chekiang. Perhaps the authorities will attempt to pacify Hangchou first and then deal with the most troubled areas in the rest of the province.

The situation in Chekiang illustrates the difficulty of bringing in an outsider to run a divided province. There have been cases where Peking has broken factional deadlocks by removing the leaders of both factions, as in Shansi, or by bringing in a new face. In the past such new leaders have invariably been military men, however, and some of them brought their armies along. This solution is not practical today. It runs counter to Peking's goal of reducing the number of military men in provincial leadership posts. Thus, although Tan Chi-lung was appointed first secretary in May 1973, he has been without a real power base and has obviously been unable--and rather unwilling, [redacted]

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[redacted] to resolve factional problems. Tan is now supported by a revamped provincial leadership, the presence of Peking leaders like Wang Hung-wen, and by the rotated troops, but it is not yet clear that he has gained firm control over this long-troubled province. [redacted]

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## The Soviet Threat: Rhetoric or Politics?

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For some time the Chinese media have warned that US-USSR contention inevitably will lead to war. While this theme is still being pushed, in recent weeks the Chinese people are being told in addition that war between China and the Soviet Union is highly likely.

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Peking is spreading the word that China will be involved in a war within the next few years.

the Chinese seem to be saying that they will be forced into a superpower war soon after it breaks out or that war will begin with a Soviet attack on China. In either case Chinese officials are stressing that there is a new and ominous threat from the Soviet Union.

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These points all seem to reflect Central Directive No. 18 which focuses on Moscow as a threat to peace and calls for the modernization of the PLA. In conveying this line, Chinese officials are exhorting the people to prepare for war.

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Although the "war preparations" theme has never completely dropped out of Chinese propaganda, it has not received special prominence in overt propaganda in the past few weeks. This suggests that the line being taken privately is directed solely at an internal audience. There are a number of domestic purposes which the war theme could serve. The threat of war might well help the Chinese people accept an overhaul of the army. It might also--in connection with the demobilization of a large number of soldiers--contribute in some measure to popular understanding of the necessity to settle some of the demobilized soldiers in rural rather than urban areas.

Equally important, the "war preparations" theme is being trotted out by Peking to emphasize current foreign policy lines. By raising the specter of an increased Soviet military threat, Peking is lending further rationale to the stronger anti-Soviet line which has appeared in the Chinese press during the past few months. Most recently, "war preparations" dovetails well with the movement to criticize the novel *Water Margin*, which provincial broadcasts use to chastize any form of reconciliation with the Soviet Union.

The war preparations line is also being used to promote worker discipline and increase production. Labor unrest and worker factionalism during the past several months has been a serious problem for the regime, resulting in setbacks to production. As conveyed to workers in the factories, Central Directive No. 18 quotes Mao on the need for unity, stability, and promotion of production. Factory workers have been told to stay at their jobs in the interest of national defense. In order to bring home the urgency of this order, it was stressed that an accidental war could break out at any moment.

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While there can be no doubt that the Soviet threat is being used to shape and reinforce public opinion, there is probably more to it than that. It is probably worth noting that the last time a Soviet attack was widely trumpeted in China was also the last time there was a major reordering of priorities in the PLA. In the latter half of 1971, after the fall of Lin Piao, the press began to warn of an impending Soviet attack. At about the same time military training increased markedly until it received roughly equal status with army political activities. Spending for sophisticated weaponry, however, was cut back sharply.

While there are obvious differences, the current situation is similar. The prospect of a war with the USSR is being used in a highly visible way to justify a major change in military policy, and there is no dearth of evidence that military priorities have been a contentious issue within the Chinese leadership since at least the late 1960s. It is possible that in 1971 and today the Soviet threat has been and is being used to politically neutralize elements in the leadership who might object to these readjustments of priorities. By making opposition to Central Directive No. 18 tantamount to being pro-Soviet, it becomes more hazardous--in the current climate--to resist the directive.

It is anyone's guess whether the same faction that opposed the 1971 decision is today unhappy about Central Directive No. 18. In this connection, it may be significant that both decisions are moves toward elevating military over political training within the PLA

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Military versus political training has long been a bone of sharp contention in China. It seems to have led in large part to the purge in 1965 of Chief of Staff Lo Jui-ching, who was a strong advocate of military training, and it probably is no coincidence that Lo was rehabilitated in August, only weeks after Directive No. 18 was issued.

Chances are that the Chinese will not escalate the war issue and the Soviet threat beyond its present level. Since early 1973 Peking has emphasized that Moscow has its sights principally fixed on Europe rather than China. Peking is continuing to take this tack to encourage the Europeans to keep their defenses strong--and this works to China's strategic advantage. To do an about face and say that the Soviets are intent on attacking China would undercut this theme entirely. In 1971 the Chinese had no such difficulty in discussing the Soviet threat in their press, since at that time they were not concerned about NATO force reductions in Europe.

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Provincial Leadership Changes  
Continue Apace

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A flurry of promotions and new appointments marked the provincial leadership picture in September. First secretaries were named in Shansi and Liaoning, and a total of eight changes were announced. Although one of the new first secretaries is a career military officer, six of the appointments went to civilians. The high number of assignments continues Peking's drive toward consolidating provincial leadership despite signs of heightened political tensions in the initial stages of the campaign to criticize the novel "Water Margin."

Only two provinces, Heilungkiang and Tsinghai, now lack designated first secretaries. Nine of China's twenty-nine province level units are headed by military men, but most are commissars rather than troop commanders--a reversal of the case before the relocation of military region commanders. The commissars are less of a threat to civilian party authority and are probably better able to operate in the political milieu than some of the commanders. Civilian first secretaries now outnumber military men by two to one.

The appointment of Wei Ping-kuei and the apparent appointment of Liu Sheng-tien as secretaries of the Liaoning party committee (Liu was listed ahead of a known Liaoning secretary at the national conference on Tachai held in Shansi recently) may be designed to counterbalance the promotion of Tseng Shao-shan from second secretary to first secretary. Tseng is a military man and Wei and Liu are civilians. Wei and Liu are the first secretaries to be

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[REDACTED]

added to any of the three provinces constituting the Shenyang Military Region since the rotation of the former commander, Chen Hsi-lien, to Peking in late December 1973. Most provinces in other areas have added secretaries, and the failure in Heilungkiang, Kirin--and Liaoning until recently--to do so suggests that Chen may retain some influence in his former region. There are indications that changes may be in the cards for Kirin and Heilungkiang, which now needs a first secretary, so the unusually static situation in Manchuria may be coming to an end.

In any event, the new party boss in Liaoning, who is the first political commissar of the military region, has close ties to Chen Hsi-lien. He served immediately under Chen from 1937 to 1950, and with him after the Korean War. However, Tseng Shao-shan also has historical ties to Teng Hsiao-ping and to Li Te-sheng, the current regional commander, who used to be Tseng's subordinate. [REDACTED]

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## Problems in China's Steel Industry

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Factors which contributed to the fall in steel production in the second half of 1974 continued into 1975. Labor unrest was a major cause. Dissatisfaction over wages and factional fighting have led to a high rate of absenteeism among steel workers.

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managers used various ruses to stay away from the mills, thus further complicating production problems.

The shortage of coal has been another major contributing factor to the poor performance of the steel industry. Labor difficulties are responsible for part of the coal shortage, but a longer standing problem is that of inadequate equipment. China possesses huge coal reserves but lacks the modern equipment to exploit them fully. In recent years, Peking has begun to import new capital equipment and move away from a policy that stressed labor intensive methods as a means of increasing coal output. Nevertheless, it will require many years before maximum utilization of coal reserves can be achieved.

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China's total steel supply has been further hampered by a decline in imports from Japan. In the first six months of 1975, imports amounted to only 900,000 tons, a decline of more than one third compared to the same period last year. Japanese steel exports to China of more than 2.8 million metric tons in 1974 composed 80 percent of China's total steel imports. Delayed steel trade negotiations, mainly due to Chinese demands for lower prices, contributed to the decline.

At midyear, China's leaders began to take steps to correct some of the most critical problems in the industry. Two recent central directives have strongly condemned the disruption of production caused by labor unrest and factionalism. A July *Red Flag* article specifically dealt with factionalism in the iron and steel industry. Troops have been sent to the provinces of Chekiang, Kiangsu, and Inner Mongolia to help improve steel or coal production.

In June 1975, Peking re-entered the market for US steel scrap as a means of increasing production. In 1973, more than 420,000 tons of US scrap were imported by China. After export controls were imposed by the US in 1974, Chinese scrap imports declined to about 190,000 tons and no purchases were made after April of that year. Controls were lifted at the beginning of 1975 and nearly 100,000 tons of scrap were exported to China during June and July.

If outstanding problems are resolved, production in 1976 probably can surpass the 1973 level of 25.5 million tons. Nevertheless, shortages of

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coking coal and high-grade iron ore will persist for many years and steel finishing equipment remains in short supply. These problems will hamper the growth rate of the industry for the remainder of the decade.

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# CHRONOLOGY

September 5 Palestinian Fatah delegation arrives in Peking en route home from Hanoi.

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Protocols on Chinese agricultural and medical aid to Niger signed in Niamey.

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September 10 Algerian delegation headed by Colonel Ahmed ben Cherif, member of Algerian Council of Revolution, arrives in Peking.

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Agricultural cooperation agreement with Mauritius signed in Port Louis.

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September 11 Delegation from the Palestinian Popular Democratic Front arrives in Peking.

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September 12 Zambian friendship delegation headed by Alexander Grey Zulu, secretary general of Zambia's ruling party, arrives in Peking.

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September 14 Delegation of Syrian journalists arrives in Peking.

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September 15 West German opposition leader Franz-Josef Strauss arrives in Peking for a five-day visit.

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At conference in Tachai, Teng Hsiao-ping, Chen Yung-kuei, and Chiang Ching give important speeches; Wang Chien identified as Shansi first secretary.

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September 16 Li Lien-pi, presents his credentials to EEC representatives in Brussels: Li is concurrently Peking's ambassador to Belgium. [REDACTED] 25X1

Seventh round of talks on Tanzania-Zambia railroad opens in Peking: protocol signed on September 18. [REDACTED] 25X1

September 18-26 Cambodian Deputy Prime Minister Ieng Sary visits China. [REDACTED] 25X1  
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September 18 Mayor of Baghdad arrives in Peking. [REDACTED]

Vice President of Venezuelan Congress, Oswaldo Alvarez Paz, arrives in Peking. [REDACTED] 25X1

September 19 Former British Prime Minister Heath arrives in Peking for a two-day visit: meets with Mao on September 21. [REDACTED] 25X1

September 20 Romanian party delegation headed by Iosif Banc, member of the Romanian communist party central committee, arrives in Peking. [REDACTED] 25X1

September 21-27 Politburo member Chang Chun-chiao and International Liaison Department Chief Keng Piao lead party delegation to North Korea. [REDACTED] 25X1

September 22 Peking announces release of 144 Nationalist "special agents" captured in the mid-1960s during raids against the mainland. [REDACTED] 25X1

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September  
22-28

North Vietnamese party and government delegation led by party chief Le Duan and Vice Premier Le Thanh Nghi visits China; meets with Chairman Mao on September 24. [REDACTED]

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September 22

Tokyo sends official mission to Peking to resume discussions on long-term oil purchases from China. [REDACTED]

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September 23

Tseng Shao-shan named Liaoning first secretary. [REDACTED]

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September  
24-27

Foreign Minister Chiao Kuan-hua meets with Japanese Foreign Minister Miyazawa at the United Nations to discuss deadlocked peace treaty negotiations. [REDACTED]

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September 25

High-level scientific delegation led by Chou Pei-yuan arrives in US. [REDACTED]

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September 27

Romanian army delegation headed by deputy defense minister Gheorghe Gomoiu arrives in Peking. [REDACTED]

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September 28

Cambodian "head of state" Norodom Sihanouk arrives in Peking for Chinese National Day celebrations. [REDACTED]

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